SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement (Agreement) is entered into by the United States of America, acting through the United States Department of Justice and on behalf of the Federal Communications Commission (FCC) (collectively, the United States); and the Intelenet Commission (Intelenet) and the State of Indiana (Indiana), through their authorized representatives. The parties listed in this Paragraph are hereinafter collectively referred to as the Parties.

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. Intelenet was established directly by Indiana statute in 1986 as "a body corporate and politic." Ind. Code §§ 5-21-2-1 *et seq.* Intelenet's principal place of business is 100 N. Senate Avenue, Room N551, Indianapolis, IN 46204-2209. Among the responsibilities assigned to Intelenet was to submit applications to the E-Rate Program, described below, on behalf of those eligible schools and libraries in the State of Indiana that chose to participate in the E-rate Program through Intelenet. Until approximately 2004, Intelenet was managed by a commission comprising, among others, the heads of various Indiana government agencies pursuant to former Ind. Code § 5-21-2-3.

B. E-rate is a program created by Congress (the E-rate Program) in the Telecommunications Act of 1996 and administered by the Universal Service Administrative Company (USAC) for the FCC. Under E-rate, USAC typically reimburses providers of internet access, internal connections, and telecommunications services for discounts they provide to schools and libraries.

C. The United States contends that it may have certain civil claims against Intelenet and Indiana under the False Claims Act, the common law, and other causes of action for Intelenet's conduct in connection with certain Funding Requests for E-Rate Funding Years 1 to 6 (from January 1, 1998 to June 30, 2004), including submitting and causing to be submitted false claims for payment by: (1) engaging in non-competitive bidding practices; (2) providing materially false information to the United States regarding goods and services that were provided to schools and school districts under the E-rate Program; (3) disregarding the requirement that all

schools and school districts make co-payments to cover that portion of each funded E-rate project that was not paid for by E-rate discounts; and (4) charging inflated prices on invoices and other documents provided to the United States to conceal some or all of the practices listed in this Paragraph. The conduct described in this Paragraph is referred to throughout as the Covered Conduct.

D. This Agreement is neither an admission of liability by Intelenet and/or Indiana nor a concession by the United States that its claims are not well-founded.

E. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, the Parties reach a full and final settlement pursuant to the Terms and Conditions below.

III. TERMS AND CONDITIONS

1. Intelenet and Indiana jointly and severally agree to pay the United States $8,289,824.20 (hereinafter referred to as the Settlement Amount), by electronic funds transfer pursuant to written instructions to be provided by the United States Department of Justice, which payment shall be made within five business days after the effective date of this Agreement.

2. Intelenet and Indiana agree to fully cooperate with the United States in any investigation or litigation related to its participation in the E-Rate Program.

3. Releases.

a. Intelenet and Indiana (and its departments, agencies, boards, commissions, instrumentalities, and officers in their official capacity) fully and finally release the United States, the FCC and USAC, together with their respective agencies, employees, servants, and agents, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) which Intelenet and Indiana have asserted, could have asserted, or may assert in the future against the United States, the FCC and USAC, and their respective agencies, employees, servants, and agents, related to the Covered Conduct, and the investigation and prosecution thereof.

b. Subject to the exceptions in Paragraph 4 below, in consideration of the obligations of Intelenet and Indiana set forth in this Agreement, and conditioned upon Intelenet and Indiana fully satisfying the Settlement Amount, (i) the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to fully and finally release Intelenet and

Indiana (and its departments, agencies, boards, commissions, instrumentalities, and officers in their official capacity) from any civil or administrative monetary claim the United States has or may have for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. § 3801-3812; or the common law theories of payment by mistake, unjust enrichment, breach of contract, and fraud; (ii) the FCC (on behalf of itself, its officers, employees, and agents, and on behalf of USAC) agrees to release Intelenet and Indiana (and its departments, agencies, boards, commissions, instrumentalities, and officers in their official capacity) from any administrative monetary claims the FCC has or may have for the Covered Conduct. This agreement expressly does not release any of the directors, officers, and employees of Intelenet from January 1, 1998 to June 30, 2005, from any civil, administrative or criminal liability.

4. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including Intelenet) are the following claims:

(a) any civil, criminal, or administrative liability to the United States arising under Title 26, U.S. Code (Internal Revenue Code);

(b) any criminal liability;

(c) any process or proceeding, administrative or judicial, for any agency suspension or debarment action;

(d) any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;

(e) any claims of the United States based upon such obligations as are created by this Agreement;

(f) any liability for the delivery of any deficient or defective products/services, including liability under any express or implied product/service liability warranties; and

(g) any civil or administrative monetary claims of the United States (including its agencies) against individuals, including but not limited to present or former directors, officers, and employees of Intelenet and Indiana who are criminally indicted or charged, or are convicted, or who enter into a criminal plea agreement related to the Covered Conduct.

5. Intelenet and Indiana waive and shall not assert, in any criminal prosecution or administrative action relating to the Covered Conduct, any defenses that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue Laws, Title 26 of the United States Code.

6. Intelenet and Indiana agree that all costs (as defined by the Federal Acquisition Regulation 31.205-47) incurred by or on behalf of Intelenet/or Indiana in connection with (a) the matters covered by this Agreement; (b) the Government's audits and investigations of the matters covered by this Agreement; (c) Intelenet's investigation, defense of matters, and corrective actions relating to the Covered Conduct; (d) the negotiation of this Agreement; and (e) the payments made to the United States pursuant to this Agreement, shall be unallowable costs for government accounting purposes. Intelenet and/or Indiana shall separately account for all costs that are unallowable under this Agreement.

7. This Agreement is intended to be for the benefit of the Parties only. Except as expressly stated in Paragraph 3 above, the Parties do not release any claims against any other person or entity.

8. Intelenet and Indiana warrant that payment of the Settlement Amount in the manner set forth in Paragraph 1 to this Agreement will not result in Intelenet and Indiana becoming insolvent within the meaning of 11 U.S.C. §§ 547(c) and 548 (a)(1)(B)(ii)(I). Further, the Parties expressly warrant that, in evaluating whether to execute this Agreement, the Parties (a) have intended that the mutual promises, covenants, and obligations set forth herein constitute a contemporaneous exchange for new value given to Intelenet and Indiana within the meaning of 11 U.S.C. §§ 547(c)(1), and (b) have concluded that these mutual promises, covenants, and obligations do, in fact, constitute such a contemporaneous exchange. Further, the Parties warrant that the mutual promises, covenants, and obligations set forth herein are intended to and do, in fact, represent a reasonably equivalent exchange of value which is not intended to hinder, delay, or defraud any entity to which Intelenet and Indiana are indebted to, or became indebted to, on or

after the date of this transfer, all within the meaning of 11 U.S.C. § 548(a)(1).

9. Intelenet and Indiana agree that this Agreement satisfies the requirements of the citation provision under subsections 503(b)(5)(A)-(B) of the Communications Act of 1934, as amended, 47 U.S.C. § 503(b)(5)(A)-(B), such that the FCC may issue a Notice of Apparent Liability against Intelenet and Indiana pursuant to 47 U.S.C. § 503(b)(4) if, after the Effective Date of this Agreement, Intelenet and Indiana engage in conduct of the type described as the Covered Conduct.

10. The United States, Intelenet and Indiana shall each bear their own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

11. All Parties represent that this Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.

12. This Agreement is governed by the laws of the United States. The Parties agree that exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement shall be the United States District Court for the Southern District of Indiana.

13. This Agreement constitutes the complete agreement among the Parties. This Agreement may not be amended except by written consent of the Parties.

14. The individuals signing this Agreement on behalf of Intelenet and Indiana represent and warrant that they are duly authorized by Intelenet and Indiana to execute this Agreement. The United States signatories signing this Agreement represent that they are signing this Agreement in their official capacities and that they are duly authorized to execute this Agreement.

15. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

16. This Agreement is binding on Intelenet's and Indiana's successors, transferees, heirs, and assigns.

17. All Parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

18. This Agreement is effective on the date of signature of the last signatory to the

Agreement (Effective Date). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

THE UNITED STATES OF AMERICA

DATED: 6/27/06

BY:
Alicia J. Bentley
Trial Attorney
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

THE STATE OF INDIANA

DATED:

BY: (pr)
Steve Carter
Attorney General
State of Indiana
302 West Washington Street
Indianapolis, Indiana 46204

INTELENET COMMISSION

DATED:

BY:
Karl Browning
Executive Director
100 North Senate Avenue, Room N551
Indianapolis, Indiana 46204-2209

STATE OF INDIANA
OFFICE OF THE ATTORNEY GENERAL

INDIANA GOVERNMENT CENTER SOUTH, FIFTH FLOOR
302 WEST WASHINGTON STREET · INDIANAPOLIS, IN 46204-2770

STEVE CARTER
ATTORNEY GENERAL

TELEPHONE (317) 232-6201

June 20, 2006

Alicia J. Bentley
USDOJ
601 D Street NW
Room 9544
Washington, D.C. 20004

RE: Indiana Intelenet Commission

Dear Ms. Bentley:

The FCC requested that the State of Indiana confirm that the Intelenet Commission has no statutory parents, affiliates, subsidiaries, predecessors, successors or assigns. Pursuant to Indiana Code 5-21 the Intelenet Commission was established in 1986 as a body corporate and politic. The statutory responsibilities of the Commission included design, development and management of integrated telecommunication networks and information technology services to facilitate and carry out essential educational and governmental functions of authorized users in the State of Indiana.

In 2005, the Indiana General Assembly passed Public Law 177-2005 which substantially amended Indiana Code 5-21 to direct that the executive director of the Intelenet Commission wind up and liquidate the Commission's affairs in accordance with law. Indiana Code 5-21-2-9 provides:
The executive director [of the Intelenet Commission] shall:

(1) work with the office of technology established by IC 4-13.1-2-1 to ensure that there is no disruption in any service provided by the commission as of July 1, 2005;
(2) only carry on business conducted by the commission as of July 1, 2005, including the following:
  (A) Collect the commission's assets.
  (B) Dispose of the commission's properties.
  (C) Discharge or make provision for discharge of the commission's liabilities.
  (D) Take any other action necessary to wind up and liquidate the commission's affairs in accordance with law;
(3) report to the governor when the commission is wound up; and

(4) return any remaining funds to the state general fund.

The State can confirm that Intelenet has no statutory parents, affiliates, subsidiaries, predecessors, successors or assigns except to the extent that the State's general fund will be the recipient of any remaining funds of Intelenet after it completes the statutorily required wind up and liquidation.

Sincerely,

Gregory F. Zoeller
Chief Deputy

cc: Tillman L. Lay
Spiegel & McDiarmid
1333 New Hampshire Ave., NW
Washington, D.C. 20036